

ALGONA COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

## Contents

|   | <u>Page</u>     |
|---|-----------------|
| Officials   | 1               |
| Independent Auditor's Report  | 2-3             |
| Management's Discussion and Analysis (MD&A)   | 4-12            |
| Basic Financial Statements:   | <u>Exhibit</u>  |
| Government-wide Financial Statements:   |                 |
| Statement of Net Assets   | A 13            |
| Statement of Activities   | B 14            |
| Governmental Fund Financial Statements:   |                 |
| Balance Sheet   | C 15            |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets   | D 16            |
| Statement of Revenues, Expenditures and Changes in Fund Balances  | E 17            |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities  | F 18            |
| Proprietary Fund Financial Statements:  |                 |
| Statement of Net Assets   | G 19            |
| Statement of Revenues, Expenses and Changes in Net Assets   | H 20            |
| Statement of Cash Flows   | I 21            |
| Fiduciary Fund Financial Statements:  |                 |
| Statement of Fiduciary Net Assets   | J 22            |
| Statement of Changes in Fiduciary Net Assets  | K 23            |
| Notes to Financial Statements   | 24-33           |
| Required Supplementary Information:   |                 |
| Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund   | 34              |
| Notes to Required Supplementary Information - Budgetary Reporting   | 35              |
| Other Supplementary Information:  | <u>Schedule</u> |
| Nonmajor Special Revenue Funds:   |                 |
| Combining Balance Sheet   | 1 36            |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances  | 2 37            |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts  | 3 38-39         |
| Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund   | 4 40            |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types   | 5 41            |
| Schedule of Expenditures of Federal Awards  | 6 42            |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 43-44           |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133  | 45-46           |
| Schedule of Findings and Questioned Costs   | 47-53           |

Algona Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education  
(Before September 2007 Election)**

|                |                |      |
|----------------|----------------|------|
| David Fenchel  | President      | 2007 |
| Floyd Lavrenz  | Vice President | 2007 |
| Dale Person    | Board Member   | 2008 |
| Rodney Davis   | Board Member   | 2008 |
| Marc Singer    | Board Member   | 2008 |
| Keith Kuecker  | Board Member   | 2009 |
| Cheryl Grether | Board Member   | 2009 |

**Board of Education  
(After September 2007 Election)**

|                |                |      |
|----------------|----------------|------|
| David Fenchel  | President      | 2010 |
| Floyd Lavrenz  | Vice President | 2010 |
| Dale Person    | Board Member   | 2008 |
| Rodney Davis   | Board Member   | 2008 |
| Marc Singer    | Board Member   | 2008 |
| Keith Kuecker  | Board Member   | 2009 |
| Cheryl Grether | Board Member   | 2009 |

**School Officials**

|                  |                    |      |
|------------------|--------------------|------|
| Marty Fonley     | Superintendent     | 2008 |
| Gail I. Carroll  | District Secretary | 2008 |
| Carol Kenyon     | District Treasurer | 2008 |
| Stephen F. Avery | Attorney           | 2008 |

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Algona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Algona Community School District, Algona, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Algona Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2009 on our consideration of Algona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Algona Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Algona Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,660,265 in fiscal 2007 to \$12,181,658 in fiscal 2008, while General Fund expenditures increased from \$12,457,005 in fiscal 2007 to \$12,860,533 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from a deficit of \$81,480 in fiscal 2007 to a deficit of \$760,355 in fiscal 2008.
- The increase in General Fund revenues was attributable to increases in local tax and state and federal grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in instructional costs.
- The October 2007 Certified Enrollment count resulted in a decrease of 12.9 students. A stabilized certified enrollment will benefit the health of the District's General Fund.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Algona Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Algona Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Algona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Algona Community School District Annual Financial Report**

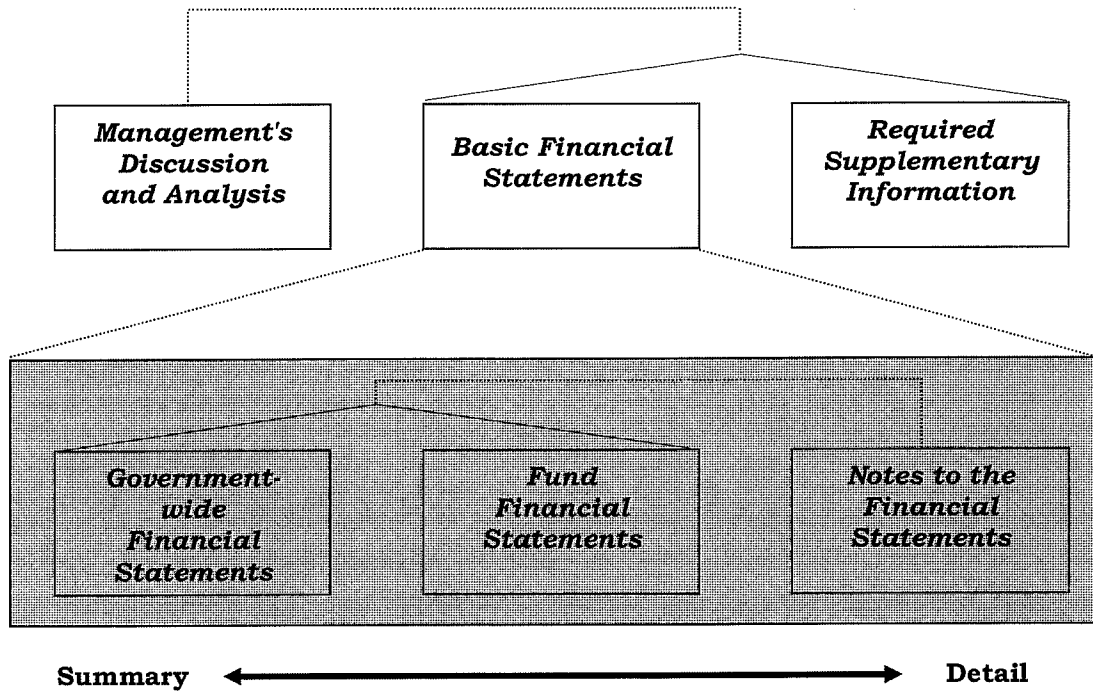


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

|  | Government-wide Statements   | Fund Statements  |  |   |
|--|--|--|--|---|
|  |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope                                  | Entire district (except fiduciary funds)   | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the district operates similar to private businesses, e.g., food service   | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies   |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund. The District's internal service fund, one type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two internal service funds.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund and the Agency Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain outside organizations.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

|  | Governmental<br>Activities |            | Business-type<br>Activities |         | Total<br>School District |            | Total<br>Change |
|--|----------------------------|------------|-----------------------------|---------|--------------------------|------------|-----------------|
|  | June 30,                   |            | June 30,                    |         | June 30,                 |            | June 30,        |
|  | 2008                       | 2007       | 2008                        | 2007    | 2008                     | 2007       | 2007-08         |
| Current and other assets                           | \$ 11,340,951              | 7,720,750  | 12,146                      | 3,959   | 11,353,097               | 7,724,709  | 46.97%          |
| Capital assets                                     | 3,475,592                  | 3,778,665  | 19,428                      | 17,964  | 3,495,020                | 3,796,629  | -7.94%          |
| Total assets                                       | 14,816,543                 | 11,499,415 | 31,574                      | 21,923  | 14,848,117               | 11,521,338 | 28.87%          |
| Long-term obligations                              | 403,688                    | 0          | 0                           | 0       | 403,688                  | 0          | 100.00%         |
| Other liabilities                                  | 9,069,878                  | 5,701,505  | 12,126                      | 6,106   | 9,082,004                | 5,707,611  | 59.12%          |
| Total liabilities                                  | 9,473,566                  | 5,701,505  | 12,126                      | 6,106   | 9,485,692                | 5,707,611  | 66.19%          |
| Net assets:  |                            |            |                             |         |                          |            |                 |
| Invested in capital assets,<br>net of related debt | 3,475,592                  | 3,778,665  | 19,428                      | 17,964  | 3,495,020                | 3,796,629  | -7.94%          |
| Restricted   | 1,209,004                  | 1,138,679  | 0                           | 0       | 1,209,004                | 1,138,679  | 6.18%           |
| Unrestricted                                       | 658,381                    | 880,566    | 20                          | (2,147) | 658,401                  | 878,419    | -25.05%         |
| Total net assets                                   | \$ 5,342,977               | 5,797,910  | 19,448                      | 15,817  | 5,362,425                | 5,813,727  | -7.76%          |

The District's combined net assets decreased by 7.76%, or \$451,302, over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$70,325, or 6.18% over the prior year. The increase in restricted net assets can be attributed to the increase in fund balance of the Capital Projects Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$220,018 or 25.05%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

| Figure A-4<br>Changes of Net Assets                        |                            |            |                             |         |                          |            |                 |
|--|----------------------------|------------|-----------------------------|---------|--------------------------|------------|-----------------|
|  | Governmental<br>Activities |            | Business-type<br>Activities |         | Total<br>School District |            | Total<br>Change |
|  | June 30,                   |            | June 30,                    |         | June 30,                 |            | June 30,        |
|  | 2008                       | 2007       | 2008                        | 2007    | 2008                     | 2007       | 2007-08         |
| Revenues & Transfers:                                      |                            |            |                             |         |                          |            |                 |
| Program revenues:  |                            |            |                             |         |                          |            |                 |
| Charges for services                                       | \$ 1,759,392               | 1,887,097  | 311,547                     | 278,468 | 2,070,939                | 2,165,565  | -4.37%          |
| Operating grants and contributions and restricted interest | 1,564,356                  | 1,458,324  | 255,529                     | 207,214 | 1,819,885                | 1,665,538  | 9.27%           |
| Capital grants and contributions and restricted interest   | 11,000                     | 0          | 0                           | 0       | 11,000                   | 0          | 100.00%         |
| General revenues:  |                            |            |                             |         |                          |            |                 |
| Property tax   | 4,322,691                  | 4,279,904  | 0                           | 0       | 4,322,691                | 4,279,904  | 1.00%           |
| Income surtax  | 553,084                    | 508,254    | 0                           | 0       | 553,084                  | 508,254    | 8.82%           |
| Local option sales and service tax                         | 647,668                    | 742,153    | 0                           | 0       | 647,668                  | 742,153    | -12.73%         |
| Unrestricted state grants                                  | 4,403,458                  | 4,292,007  | 0                           | 0       | 4,403,458                | 4,292,007  | 2.60%           |
| Other  | 387,713                    | 107,555    | 19,801                      | 0       | 407,514                  | 107,555    | 278.89%         |
| Transfers  | (3,554)                    | 0          | 3,554                       | 0       | 0                        | 0          | 0.00%           |
| Total revenues & transfers                                 | 13,645,808                 | 13,275,294 | 590,431                     | 485,682 | 14,236,239               | 13,760,976 | 3.45%           |
| Program expenses:  |                            |            |                             |         |                          |            |                 |
| Governmental activities:                                   |                            |            |                             |         |                          |            |                 |
| Instruction  | 9,656,073                  | 9,579,559  | 73,675                      | 46      | 9,729,748                | 9,579,605  | 1.57%           |
| Support services   | 3,655,868                  | 3,434,346  | 2,255                       | 1,681   | 3,658,123                | 3,436,027  | 6.46%           |
| Non-instructional programs                                 | 0                          | 0          | 510,870                     | 491,271 | 510,870                  | 491,271    | 3.99%           |
| Other expenses   | 788,800                    | 855,781    | 0                           | 0       | 788,800                  | 855,781    | -7.83%          |
| Total expenses   | 14,100,741                 | 13,869,686 | 586,800                     | 492,998 | 14,687,541               | 14,362,684 | 2.26%           |
| Change in net assets                                       | (454,933)                  | (594,392)  | 3,631                       | (7,316) | (451,302)                | (601,708)  | 25.00%          |
| Net assets beginning of year                               | 5,797,910                  | 6,392,302  | 15,817                      | 23,133  | 5,813,727                | 6,415,435  | -9.38%          |
| Net assets end of year                                     | \$ 5,342,977               | 5,797,910  | 19,448                      | 15,817  | 5,362,425                | 5,813,727  | -7.76%          |

In fiscal 2008, property tax and unrestricted state grants account for 63.95% of the revenue from governmental activities while charges for services and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$14.24 million of which \$13.65 million was for governmental activities and less than \$0.59 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.45% in revenues and a 2.26% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year. The increase in revenues was related to increases in local tax, unrestricted state grants and federal grants.

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## Governmental Activities

Revenues net of transfers for governmental activities were \$13,645,808 and expenses were \$14,100,741.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

|                  | Total Cost of Services |                   |                   | Net Cost of Services |                   |                   |
|------------------|------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
|                  | 2008                   | 2007              | Change<br>2007-08 | 2008                 | 2007              | Change<br>2007-08 |
| Instruction      | \$ 9,656,073           | 9,579,559         | 0.80%             | 6,958,478            | 6,880,429         | 1.13%             |
| Support services | 3,655,868              | 3,434,346         | 6.45%             | 3,495,395            | 3,239,009         | 7.92%             |
| Other expenses   | 788,800                | 855,781           | -7.83%            | 312,120              | 404,827           | -22.90%           |
| Totals           | <u>\$ 14,100,741</u>   | <u>13,869,686</u> | <u>1.67%</u>      | <u>10,765,993</u>    | <u>10,524,265</u> | <u>2.30%</u>      |

- The cost financed by users of the District's programs was \$1,759,392.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,575,356.
- The net cost of governmental activities was financed with \$4,322,691 in property tax, \$553,084 in income surtax, \$647,668 in local option sales and service tax, \$4,403,458 in unrestricted state grants and \$83,464 in interest income.

## Business-Type Activities

Revenues net of transfers for the District's business-type activities were \$590,431 and expenses were \$586,800. The District's business-type activities include the School Nutrition Fund and the Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Algona Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$698,317, compared to last year's ending fund balances of \$1,036,415. However, the primary reason for the decrease was due to the decrease in fund balances of the General Fund.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increases in local, state and federal source revenues in 2008 lead to an increase in revenues for the General Fund when compared to the previous year. Although revenues increased when compared to last year, the increase was not enough to offset the increase in General Fund expenditures, thus ensuring the decline in overall fund balance.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$13,688 at June 30, 2007 to \$15,044 at June 30, 2008, representing an increase of approximately 9.91%. The District's Preschool Fund net assets increased from \$2,129 at June 30, 2007 to \$4,404 at June 30, 2008, representing an increase of approximately 106.86%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Algona Community School District amended its budget one time to reflect additional expenditures. The amendment increased expenditures in all functions by \$1,606,682.

The District's revenues were \$1,442,679 more than budgeted revenues, a variance of 11.3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$61,389.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$3,495,020, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.94% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$377,543.

The original cost of the District's capital assets was \$12,663,430. Governmental funds account for \$12,551,201 with the remainder of \$112,229 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$553,780 at June 30, 2007 compared to \$485,261 at June 30, 2008. This decrease resulted from depreciation expense taken during the year.

Figure A-6  
Capital Assets, Net of Depreciation

|                         | Governmental<br>Activities |           | Business-type<br>Activities |        | Total<br>School District |           | Total<br>Change |
|-------------------------|----------------------------|-----------|-----------------------------|--------|--------------------------|-----------|-----------------|
|                         | June 30,                   |           | June 30,                    |        | June 30,                 |           | June 30,        |
|                         | 2008                       | 2007      | 2008                        | 2007   | 2008                     | 2007      | 2007-08         |
| Land                    | \$ 37,674                  | 37,674    | 0                           | 0      | 37,674                   | 37,674    | 0.00%           |
| Buildings               | 2,842,374                  | 3,067,336 | 0                           | 0      | 2,842,374                | 3,067,336 | -7.33%          |
| Land improvements       | 129,711                    | 137,839   | 0                           | 0      | 129,711                  | 137,839   | -5.90%          |
| Machinery and equipment | 465,833                    | 535,816   | 19,428                      | 17,964 | 485,261                  | 553,780   | -12.37%         |
| Total                   | \$ 3,475,592               | 3,778,665 | 19,428                      | 17,964 | 3,495,020                | 3,796,629 | -7.94%          |

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## Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$403,688 in early retirement. This represents an increase of 100.0% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

|                  | Total School District |      | Total Change |
|------------------|-----------------------|------|--------------|
|                  | June 30,              |      | June 30,     |
|                  | 2008                  | 2007 | 2007-08      |
| Early retirement | \$ 403,688            | 0    | 100.0%       |

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- A pattern of declining enrollment persists in the District. Enrollment has declined for the past 7 years, and projections of enrollment and the birth rate indicate several more years of decline. This will reduce the amount of revenue available to fund educational programs and service in the future.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The elimination of the "budget guarantee" at 10% each year is reducing revenues to the District each year.
- Rapid and persistent increases in insurance costs and energy costs will create more financial hardships for the District in the future.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Beth Wubben, Business Manager, Algona Community School District, Box 717, 200 North Phillips, Algona, Iowa, 50511.

## BASIC FINANCIAL STATEMENTS

ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

|   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>   |                            |                             |                   |
| Cash and pooled investments:                                |                            |                             |                   |
| ISCAP (Note 4)  | \$ 2,288,898               | 0                           | 2,288,898         |
| Other   | 2,926,539                  | 16,977                      | 2,943,516         |
| Receivables:  |                            |                             |                   |
| Property tax:   |                            |                             |                   |
| Delinquent  | 73,345                     | 0                           | 73,345            |
| Succeeding year   | 5,151,915                  | 0                           | 5,151,915         |
| Income surtax   | 473,181                    | 0                           | 473,181           |
| Interfund   | 24,000                     | (24,000)                    | 0                 |
| Accounts  | 12,860                     | 5,445                       | 18,305            |
| Accrued ISCAP interest (Note 4)                             | 13,611                     | 0                           | 13,611            |
| Due from other governments                                  | 376,602                    | 333                         | 376,935           |
| Inventories   | 0                          | 13,391                      | 13,391            |
| Capital assets, net of accumulated<br>depreciation (Note 5) | 3,475,592                  | 19,428                      | 3,495,020         |
| <b>Assets</b>   | <b>14,816,543</b>          | <b>31,574</b>               | <b>14,848,117</b> |
| <b>Liabilities</b>  |                            |                             |                   |
| Accounts payable  | 400,768                    | 5,295                       | 406,063           |
| Salaries and benefits payable                               | 71,279                     | 0                           | 71,279            |
| ISCAP warrants payable (Note 4)                             | 3,226,000                  | 0                           | 3,226,000         |
| ISCAP accrued interest payable (Note 4)                     | 14,908                     | 0                           | 14,908            |
| ISCAP unamortized premium                                   | 44,050                     | 0                           | 44,050            |
| Incurred but not reported                                   | 160,000                    | 0                           | 160,000           |
| Deferred revenue:   |                            |                             |                   |
| Succeeding year property tax                                | 5,151,915                  | 0                           | 5,151,915         |
| Other   | 958                        | 0                           | 958               |
| Unearned revenue  | 0                          | 6,831                       | 6,831             |
| Long-term liabilities (Note 6):                             |                            |                             |                   |
| Portion due within one year:                                |                            |                             |                   |
| Early retirement  | 71,318                     | 0                           | 71,318            |
| Portion due after one year:                                 |                            |                             |                   |
| Early retirement  | 332,370                    | 0                           | 332,370           |
| <b>Total Liabilities</b>                                    | <b>9,473,566</b>           | <b>12,126</b>               | <b>9,485,692</b>  |
| <b>Net Assets</b>   |                            |                             |                   |
| Invested in capital assets, net of<br>related debt          | 3,475,592                  | 19,428                      | 3,495,020         |
| Restricted for:   |                            |                             |                   |
| Talented and gifted   | 17,083                     | 0                           | 17,083            |
| Beginning teacher mentoring                                 | 166                        | 0                           | 166               |
| Salary improvement program                                  | 5,574                      | 0                           | 5,574             |
| Administration mentoring                                    | 21                         | 0                           | 21                |
| Non-public textbook   | 7,941                      | 0                           | 7,941             |
| Professional development                                    | 4,385                      | 0                           | 4,385             |
| Market factor incentives                                    | 8,697                      | 0                           | 8,697             |
| Capital projects  | 885,783                    | 0                           | 885,783           |
| Physical plant & equipment levy                             | 80,002                     | 0                           | 80,002            |
| Other special revenue purposes                              | 199,352                    | 0                           | 199,352           |
| Unrestricted  | 658,381                    | 20                          | 658,401           |
| <b>Total Net Assets</b>                                     | <b>\$ 5,342,977</b>        | <b>19,448</b>               | <b>5,362,425</b>  |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

|   | Program Revenues     |                      |   |   | Net (Expense) Revenue and Changes in Net Assets |                          |                     |
|---|----------------------|----------------------|---|---|---|--------------------------|---------------------|
|   | Expenses             | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities                         | Business-Type Activities | Total               |
| <b>Functions/Programs</b>                   |                      |                      |   |   |   |                          |                     |
| Governmental activities:                    |                      |                      |   |   |   |                          |                     |
| Instruction:                                |                      |                      |   |   |   |                          |                     |
| Regular instruction                         | \$ 5,306,543         | 569,976              | 862,113   | 0   | (3,874,454)                                     | 0                        | (3,874,454)         |
| Special instruction                         | 2,593,867            | 883,228              | 79,634  | 0   | (1,631,005)                                     | 0                        | (1,631,005)         |
| Other instruction                           | 1,755,663            | 287,399              | 15,245  | 0   | (1,453,019)                                     | 0                        | (1,453,019)         |
|   | <u>9,656,073</u>     | <u>1,740,603</u>     | <u>956,992</u>  | <u>0</u>  | <u>(6,958,478)</u>                              | <u>0</u>                 | <u>(6,958,478)</u>  |
| Support services:                           |                      |                      |   |   |   |                          |                     |
| Student services                            | 324,794              | 0                    | 0   | 0   | (324,794)                                       | 0                        | (324,794)           |
| Instructional staff services                | 199,408              | 0                    | 0   | 0   | (199,408)                                       | 0                        | (199,408)           |
| Administration services                     | 1,277,062            | 0                    | 0   | 0   | (1,277,062)                                     | 0                        | (1,277,062)         |
| Operation and maintenance of plant services | 1,182,393            | 0                    | 0   | 0   | (1,182,393)                                     | 0                        | (1,182,393)         |
| Transportation services                     | 672,211              | 18,789               | 141,684   | 0   | (511,738)                                       | 0                        | (511,738)           |
|   | <u>3,655,868</u>     | <u>18,789</u>        | <u>141,684</u>  | <u>0</u>  | <u>(3,495,395)</u>                              | <u>0</u>                 | <u>(3,495,395)</u>  |
| Other expenditures:                         |                      |                      |   |   |   |                          |                     |
| Facility acquisitions                       | 38,549               | 0                    | 0   | 11,000  | (27,549)  | 0                        | (27,549)            |
| AEA flowthrough                             | 465,680              | 0                    | 465,680   | 0   | 0   | 0                        | 0                   |
| Depreciation(unallocated)*                  | 284,571              | 0                    | 0   | 0   | (284,571)                                       | 0                        | (284,571)           |
|   | <u>788,800</u>       | <u>0</u>             | <u>465,680</u>  | <u>11,000</u>   | <u>(312,120)</u>                                | <u>0</u>                 | <u>(312,120)</u>    |
| Total governmental activities               | <u>14,100,741</u>    | <u>1,759,392</u>     | <u>1,564,356</u>  | <u>11,000</u>   | <u>(10,765,993)</u>                             | <u>0</u>                 | <u>(10,765,993)</u> |
| Business-Type activities:                   |                      |                      |   |   |   |                          |                     |
| Instructional:                              |                      |                      |   |   |   |                          |                     |
| Regular                                     | 73,675               | 21,403               | 36,573  | 0   | 0   | (15,699)                 | (15,699)            |
| Support services:                           |                      |                      |   |   |   |                          |                     |
| Administration services                     | 1,398                | 0                    | 0   | 0   | 0   | (1,398)                  | (1,398)             |
| Operation and maintenance of plant services | 857                  | 0                    | 0   | 0   | 0   | (857)                    | (857)               |
|   | <u>2,255</u>         | <u>0</u>             | <u>0</u>  | <u>0</u>  | <u>0</u>  | <u>(2,255)</u>           | <u>(2,255)</u>      |
| Non-instructional programs:                 |                      |                      |   |   |   |                          |                     |
| Nutrition services                          | 510,870              | 290,144              | 218,956   | 0   | 0   | (1,770)                  | (1,770)             |
| Total business-type activities              | <u>586,800</u>       | <u>311,547</u>       | <u>255,529</u>  | <u>0</u>  | <u>0</u>  | <u>(19,724)</u>          | <u>(19,724)</u>     |
| Total                                       | <u>\$ 14,687,541</u> | <u>2,070,939</u>     | <u>1,819,885</u>  | <u>11,000</u>   | <u>(10,765,993)</u>                             | <u>(19,724)</u>          | <u>(10,785,717)</u> |
| <b>General Revenues &amp; Transfers:</b>    |                      |                      |   |   |   |                          |                     |
| Property tax levied for:                    |                      |                      |   |   |   |                          |                     |
| General purposes                            |                      |                      |   | \$ 4,322,691  | 0   |                          | 4,322,691           |
| Income surtax                               |                      |                      |   | 553,084   | 0   |                          | 553,084             |
| Local option sales and service tax          |                      |                      |   | 647,668   | 0   |                          | 647,668             |
| Unrestricted state grants                   |                      |                      |   | 4,403,458   | 0   |                          | 4,403,458           |
| Unrestricted investment earnings            |                      |                      |   | 83,464  | 0   |                          | 83,464              |
| Gain on sale of equipment                   |                      |                      |   | 1,295   | 0   |                          | 1,295               |
| Other                                       |                      |                      |   | 302,954   | 19,801  |                          | 322,755             |
| Transfers                                   |                      |                      |   | (3,554)   | 3,554   |                          | 0                   |
| Total general revenues & transfers          |                      |                      |   | <u>10,311,060</u>                                     | <u>23,355</u>                                   |                          | <u>10,334,415</u>   |
| Changes in net assets                       |                      |                      |   | (454,933)   | 3,631   |                          | (451,302)           |
| Net assets beginning of year                |                      |                      |   | 5,797,910   | 15,817  |                          | 5,813,727           |
| Net assets end of year                      |                      |                      |   | <u>\$ 5,342,977</u>                                   | <u>19,448</u>                                   |                          | <u>5,362,425</u>    |

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

|  | General             | Other<br>Nonmajor<br>Governmental<br>Funds | Total             |
|--|---------------------|--|-------------------|
| <b>Assets</b>                              |                     |  |                   |
| Cash and pooled investments:               |                     |  |                   |
| ISCAP (Note 4)                             | \$ 2,288,898        | 0  | 2,288,898         |
| Other                                      | 296,554             | 1,371,543                                  | 1,668,097         |
| Receivables:                               |                     |  |                   |
| Property tax:                              |                     |  |                   |
| Delinquent                                 | 70,050              | 3,295                                      | 73,345            |
| Succeeding year                            | 4,664,372           | 487,543                                    | 5,151,915         |
| Income surtax                              | 473,181             | 0  | 473,181           |
| Accounts                                   | 2,469               | 9,258                                      | 11,727            |
| Interfund                                  | 0                   | 24,000                                     | 24,000            |
| Accrued ISCAP interest (Note 4)            | 13,611              | 0  | 13,611            |
| Due from other governments                 | 270,724             | 105,878                                    | 376,602           |
| <b>Total Assets</b>                        | <b>\$ 8,079,859</b> | <b>2,001,517</b>                           | <b>10,081,376</b> |
| <b>Liabilities and Fund Balances</b>       |                     |  |                   |
| Liabilities:                               |                     |  |                   |
| Accounts payable                           | \$ 345,466          | 55,302                                     | 400,768           |
| Salaries and benefits payable              | 71,279              | 0  | 71,279            |
| ISCAP warrants payable (Note 4)            | 3,226,000           | 0  | 3,226,000         |
| ISCAP accrued interest payable (Note 4)    | 14,908              | 0  | 14,908            |
| ISCAP unamortized premium                  | 44,050              | 0  | 44,050            |
| Deferred revenue:                          |                     |  |                   |
| Succeeding year property tax               | 4,664,372           | 487,543                                    | 5,151,915         |
| Income surtax                              | 473,181             | 0  | 473,181           |
| Other                                      | 958                 | 0  | 958               |
| <b>Total Liabilities</b>                   | <b>8,840,214</b>    | <b>542,845</b>                             | <b>9,383,059</b>  |
| Fund balances:                             |                     |  |                   |
| Reserved for:                              |                     |  |                   |
| Talented and gifted                        | 17,083              | 0  | 17,083            |
| Beginning teacher mentoring                | 166                 | 0  | 166               |
| Salary improvement program                 | 5,574               | 0  | 5,574             |
| Administration mentoring                   | 21                  | 0  | 21                |
| Non-public textbook                        | 7,941               | 0  | 7,941             |
| Professional development                   | 4,385               | 0  | 4,385             |
| Market factor incentives                   | 8,697               | 0  | 8,697             |
| Unreserved                                 | (804,222)           | 1,458,672                                  | 654,450           |
| Total fund balances                        | (760,355)           | 1,458,672                                  | 698,317           |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 8,079,859</b> | <b>2,001,517</b>                           | <b>10,081,376</b> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

|  |                            |
|--|----------------------------|
| <b>Total fund balances of governmental funds (page 15)</b>   | \$ 698,317                 |
| <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>                                 |                            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 3,475,592                  |
| Blending of the Internal Service Funds to be reflected on an entity-wide basis.  | 1,099,575                  |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.                                   | 473,181                    |
| Early retirement is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.          | <u>(403,688)</u>           |
| <b>Net assets of governmental activities (page 13)</b>   | <u><u>\$ 5,342,977</u></u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

|  | General      | Other<br>Nonmajor<br>Governmental<br>Revenue | Total      |
|--|--------------|--|------------|
| <b>REVENUES:</b>   |              |  |            |
| Local sources:   |              |  |            |
| Local tax  | \$ 4,655,379 | 841,860                                      | 5,497,239  |
| Tuition  | 1,404,416    | 0  | 1,404,416  |
| Other  | 172,196      | 599,467                                      | 771,663    |
| Intermediate sources                                       | 1,050        | 0  | 1,050      |
| State sources  | 5,632,569    | 173  | 5,632,742  |
| Federal sources  | 314,753      | 0  | 314,753    |
| Total revenues   | 12,180,363   | 1,441,500                                    | 13,621,863 |
| <b>EXPENDITURES:</b>                                       |              |  |            |
| Current:   |              |  |            |
| Instruction:   |              |  |            |
| Regular instruction  | 5,161,158    | 102,017                                      | 5,263,175  |
| Special instruction  | 2,758,170    | 0  | 2,758,170  |
| Other instruction  | 1,237,537    | 538,841                                      | 1,776,378  |
|  | 9,156,865    | 640,858                                      | 9,797,723  |
| Support services:  |              |  |            |
| Student services   | 335,840      | 0  | 335,840    |
| Instructional staff services                               | 181,284      | 28,470                                       | 209,754    |
| Administration services                                    | 1,209,763    | 4,357  | 1,214,120  |
| Operation and maintenance<br>of plant services             | 1,013,804    | 172,302                                      | 1,186,106  |
| Transportation services                                    | 497,297      | 161,152                                      | 658,449    |
|  | 3,237,988    | 366,281                                      | 3,604,269  |
| Other expenditures:  |              |  |            |
| Facilities acquisitions                                    | 0            | 93,584                                       | 93,584     |
| AEA flowthrough  | 465,680      | 0  | 465,680    |
|  | 465,680      | 93,584                                       | 559,264    |
| Total expenditures   | 12,860,533   | 1,100,723                                    | 13,961,256 |
| Excess(deficiency) of revenues<br>over(under) expenditures | (680,170)    | 340,777                                      | (339,393)  |
| Other financing sources:                                   |              |  |            |
| Sale of equipment  | 1,295        | 0  | 1,295      |
| Net change in fund balances                                | (678,875)    | 340,777                                      | (338,098)  |
| Fund balance beginning of year                             | (81,480)     | 1,117,895                                    | 1,036,415  |
| Fund balance end of year                                   | \$ (760,355) | 1,458,672                                    | 698,317    |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (338,098)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures and depreciation expense in the current year are as follows:

|                      |                  |           |
|----------------------|------------------|-----------|
| Capital expenditures | \$ 71,040        |           |
| Depreciation expense | <u>(374,113)</u> | (303,073) |

|   |        |
|---|--------|
| Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. | 26,204 |
|---|--------|

|  |         |
|--|---------|
| Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. | 563,722 |
|--|---------|

|  |                  |
|--|------------------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. |                  |
| Early retirement   | <u>(403,688)</u> |

|  |                            |
|--|----------------------------|
| Changes in net assets of governmental activities (page 14) | <u><u>\$ (454,933)</u></u> |
|--|----------------------------|

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

|   | Business-Type Activities:<br>Enterprise Funds |              |               | Governmental<br>Activities:<br>Internal<br>Service Fund |
|---|---|--------------|---------------|---|
|   | School<br>Nutrition                           | Preschool    | Total         |   |
| <b>Assets</b>   |   |              |               |   |
| Cash and cash equivalents                                   | \$ 7,278                                      | 9,699        | 16,977        | 1,258,442   |
| Accounts receivable   | 5,445   | 0            | 5,445         | 1,133   |
| Due from other governments                                  | 333   | 0            | 333           | 0   |
| Inventories   | 13,391  | 0            | 13,391        | 0   |
| Capital assets, net of accumulated<br>depreciation (Note 5) | 19,428  | 0            | 19,428        | 0   |
| <b>Total Assets</b>   | <b>45,875</b>                                 | <b>9,699</b> | <b>55,574</b> | <b>1,259,575</b>  |
| <b>Liabilities</b>  |   |              |               |   |
| Interfund payable   | 24,000  | 0            | 24,000        | 0   |
| Accounts payable  | 0   | 5,295        | 5,295         | 0   |
| Unearned revenue  | 6,831   | 0            | 6,831         | 0   |
| Incurred but not reported                                   | 0   | 0            | 0             | 160,000   |
| <b>Total Liabilities</b>                                    | <b>30,831</b>                                 | <b>5,295</b> | <b>36,126</b> | <b>160,000</b>  |
| <b>Net Assets</b>   |   |              |               |   |
| Invested in capital assets                                  | 19,428  | 0            | 19,428        | 0   |
| Unrestricted  | (4,384)                                       | 4,404        | 20            | 1,099,575   |
| <b>Total Net Assets</b>                                     | <b>\$ 15,044</b>                              | <b>4,404</b> | <b>19,448</b> | <b>1,099,575</b>  |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

|   | Business-Type Activities:<br>Enterprise Funds |           |           | Governmental<br>Activities:<br>Internal<br>Service Fund |
|---|---|-----------|-----------|---|
|   | School<br>Nutrition                           | Preschool | Total     |   |
| OPERATING REVENUE:                                  |   |           |           |   |
| Local sources:                                      |   |           |           |   |
| Other local sources:                                |   |           |           |   |
| Charges for services                                | \$ 290,144                                    | 21,403    | 311,547   | 2,026,600   |
| Donations   | 0   | 20,300    | 20,300    | 0   |
| Miscellaneous                                       | 1,827   | 17,974    | 19,801    | 50,966  |
| TOTAL OPERATING REVENUES                            | 291,971                                       | 59,677    | 351,648   | 2,077,566   |
| OPERATING EXPENSES:                                 |   |           |           |   |
| Instructional:                                      |   |           |           |   |
| Regular:  |   |           |           |   |
| Benefits  | 0   | 39,768    | 39,768    | 0   |
| Services  | 0   | 17,862    | 17,862    | 0   |
| Supplies  | 0   | 16,045    | 16,045    | 0   |
|   | 0   | 73,675    | 73,675    | 0   |
| Support services:                                   |   |           |           |   |
| Administration:                                     |   |           |           |   |
| Benefits  | 0   | 0         | 0         | 1,151,839   |
| Services  | 957   | 0         | 957       | 374,151   |
| Other   | 441   | 0         | 441       | 0   |
| Operation and maintenance<br>of plant services:     |   |           |           |   |
| Services  | 857   | 0         | 857       | 0   |
|   | 2,255   | 0         | 2,255     | 1,525,990   |
| Non-instructional programs:                         |   |           |           |   |
| Food service operations:                            |   |           |           |   |
| Salaries  | 123,998                                       | 0         | 123,998   | 0   |
| Benefits  | 90,516  | 0         | 90,516    | 0   |
| Supplies  | 292,926                                       | 0         | 292,926   | 0   |
| Depreciation  | 3,430   | 0         | 3,430     | 0   |
|   | 510,870                                       | 0         | 510,870   | 0   |
| TOTAL OPERATING EXPENSES                            | 513,125                                       | 73,675    | 586,800   | 1,525,990   |
| OPERATING INCOME (LOSS)                             | (221,154)                                     | (13,998)  | (235,152) | 551,576   |
| NON-OPERATING REVENUES:                             |   |           |           |   |
| Interest  | 0   | 0         | 0         | 12,146  |
| State sources                                       | 6,524   | 16,273    | 22,797    | 0   |
| Federal sources                                     | 212,432                                       | 0         | 212,432   | 0   |
| TOTAL NON-OPERATING REVENUES                        | 218,956                                       | 16,273    | 235,229   | 12,146  |
| Net income (loss) before other<br>financing sources | (2,198)                                       | 2,275     | 77        | 563,722   |
| OTHER FINANCING SOURCES                             |   |           |           |   |
| Capital contributions                               | 3,554   | 0         | 3,554     | 0   |
| Change in net assets                                | 1,356   | 2,275     | 3,631     | 563,722   |
| Net assets beginning of year                        | 13,688  | 2,129     | 15,817    | 535,853   |
| Net assets end of year                              | \$ 15,044                                     | 4,404     | 19,448    | 1,099,575   |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

|   | Business-Type Activities:<br>Enterprise Funds |           |           | Governmental<br>Activities:<br>Internal<br>Service Fund |
|---|---|-----------|-----------|---|
|   | School<br>Nutrition                           | Preschool | Total     |   |
| Cash flows from operating activities:   |   |           |           |   |
| Cash received from sale of lunches and breakfasts   | \$ 288,618                                    | 0         | 288,618   | 0   |
| Cash received from miscellaneous operating activities   | 1,827   | 59,677    | 61,504    | 2,084,074   |
| Cash payments to employees for services   | (214,514)                                     | (57,630)  | (272,144) | (1,151,839)   |
| Cash payments to suppliers for goods or services  | (261,996)                                     | (10,750)  | (272,746) | (384,151)   |
| Net cash provided by(used in) operating activities  | (186,065)                                     | (8,703)   | (194,768) | 548,084   |
| Cash flows from non-capital financing activities:   |   |           |           |   |
| Borrowings from Activity Fund   | 7,000   | 0         | 7,000     | 0   |
| State grants received   | 6,191   | 16,273    | 22,464    | 0   |
| Federal grants received   | 183,077                                       | 0         | 183,077   | 0   |
| Net cash provided by non-capital financing activities   | 196,268                                       | 16,273    | 212,541   | 0   |
| Cash flows from investing activities:   |   |           |           |   |
| Interest on investments   | 0   | 0         | 0         | 12,146  |
| Cash flows from capital financing activities:   |   |           |           |   |
| Purchase of assets  | (1,340)                                       | 0         | (1,340)   | 0   |
| Net increase in cash and cash equivalents   | 8,863   | 7,570     | 16,433    | 560,230   |
| Cash and cash equivalents at beginning of year  | (1,585)                                       | 2,129     | 544       | 698,212   |
| Cash and cash equivalents at end of year  | \$ 7,278                                      | 9,699     | 16,977    | 1,258,442   |
| Reconciliation of operating income(loss) to net cash<br>provided by(used in) operating activities:                |   |           |           |   |
| Operating income(loss)  | \$ (221,154)                                  | (13,998)  | (235,152) | 551,576   |
| Adjustments to reconcile operating income(loss)<br>to net cash provided by(used in) operating activities:         |   |           |           |   |
| Commodities consumed  | 29,355  | 0         | 29,355    | 0   |
| Depreciation  | 3,430   | 0         | 3,430     | 0   |
| (Increase)Decrease in accounts receivable   | (2,709)                                       | 0         | (2,709)   | 6,508   |
| Decrease in inventories   | 4,288   | 0         | 4,288     | 0   |
| Increase(Decrease) in accounts payable  | (458)   | 5,295     | 4,837     | 0   |
| Decrease in incurred but not reported   | 0   | 0         | 0         | (10,000)  |
| Increase in unearned revenue  | 1,183   | 0         | 1,183     | 0   |
| Net cash provided by(used in) operating activities  | \$ (186,065)                                  | (8,703)   | (194,768) | 548,084   |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR<br>END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: |   |           |           |   |
| Current assets:   |   |           |           |   |
| Cash and pooled investments   | \$ 7,278                                      | 9,699     | 16,977    | 1,258,442   |

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$29,355.

During the year ended June 30, 2008, the Nutrition Fund received capital contributions from the Capital Projects Fund of \$3,554.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

|                             | Private Purpose<br>Trust<br>Scholarship | Agency       |
|-----------------------------|---|--------------|
| <b>Assets</b>               |   |              |
| Cash and pooled investments | \$ 120,971                              | 7,963        |
| Accounts receivable         | 19                                      | 0            |
| <b>Total Assets</b>         | <b>120,990</b>                          | <b>7,963</b> |
| <b>Liabilities</b>          |   |              |
| Due to other groups         | 0                                       | 7,963        |
| <b>Net Assets</b>           |   |              |
| Unrestricted                | \$ 120,990                              | 0            |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2008

|                              | <u>Private Purpose</u> |
|------------------------------|------------------------|
|                              | <u>Trust</u>           |
|                              | <u>Scholarship</u>     |
| Additions:                   |                        |
| Local sources:               |                        |
| Interest                     | \$ 1,233               |
| Donations                    | 117,000                |
| Total additions              | <u>118,233</u>         |
| Deductions:                  |                        |
| Scholarships                 | <u>113,360</u>         |
| Change in net assets         | 4,873                  |
| Net assets beginning of year | <u>116,117</u>         |
| Net assets end of year       | <u>\$ 120,990</u>      |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALGONA COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Algona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Algona and Burt, Iowa, and the predominate agricultural territory in Kossuth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Algona Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Algona Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following major propriety funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Preschool Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool fund is used to account for preschool operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                     | Amount   |
|---------------------------------|----------|
| Land                            | \$ 3,500 |
| Buildings                       | 3,500    |
| Land improvements               | 3,500    |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 3,500    |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| Asset Class             | Estimated<br>Useful Lives<br>(In Years) |
|-------------------------|---|
| Buildings               | 50 years                                |
| Land improvements       | 20 years                                |
| Machinery and equipment | 5-12 years                              |

Salaries and Benefits Payable - Payroll and related expenditures for hourly employees corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$61,389.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.



(3) Due From and Due to Other Funds

At June 30, 2008 the interfund receivables and payables consisted of the following:

| Receivable Fund                      | Payable Fund                    | Amount    |
|--------------------------------------|---------------------------------|-----------|
| Special Revenue,<br>Student Activity | Enterprise,<br>School Nutrition | \$ 24,000 |

The Enterprise, School Nutrition Fund owes the Special Revenue, Student Activity Fund for funds borrowed for cashflow purposes.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

| Series   | Warrant Date | Final Warrant Maturity | Investments  | Accrued Interest Receivable | Warrants Payable | Accrued Interest Payable |
|----------|--------------|------------------------|--------------|-----------------------------|------------------|--------------------------|
| 2007-08A | 6/28/07      | 6/27/08                | \$ 328       | 0                           | 0                | 0                        |
| 2007-08B | 1/23/08      | 1/23/09                | 69           | 12,743                      | 956,000          | 14,241                   |
| 2008-09A | 6/26/08      | 6/25/09                | 2,288,501    | 868                         | 2,270,000        | 667                      |
| Total    |              |                        | \$ 2,288,898 | 13,611                      | 3,226,000        | 14,908                   |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

| Series   | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|---------------------------|-------------------|-----------------|---------------------|
| 2007-08A | \$ 0                      | 925,000           | 925,000         | 0                   |
| 2007-08B | 0                         | 1,204,000         | 245,000         | 959,000             |
| Total    | \$ 0                      | 2,129,000         | 1,170,000       | 959,000             |

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| Series   | Interest<br>Rates on<br>Warrants | Interest<br>Rates on<br>Investments |
|----------|----------------------------------|-------------------------------------|
| 2007-08A | 4.500%                           | 5.455%                              |
| 2007-08B | 3.750%                           | 3.451%                              |
| 2008-09A | 3.500%                           | 3.469%                              |

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities:                     |                                 |           |           |                           |
| Capital assets not being depreciated:        |                                 |           |           |                           |
| Land   | \$ 37,674                       | 0         | 0         | 37,674                    |
| Total capital assets not being depreciated   | 37,674                          | 0         | 0         | 37,674                    |
| Capital assets being depreciated:            |                                 |           |           |                           |
| Buildings                                    | 8,439,462                       | 34,374    | 0         | 8,473,836                 |
| Land improvements                            | 627,664                         | 17,107    | 0         | 644,771                   |
| Machinery and equipment                      | 3,407,099                       | 19,559    | 31,738    | 3,394,920                 |
| Total capital assets being depreciated       | 12,474,225                      | 71,040    | 31,738    | 12,513,527                |
| Less accumulated depreciation for:           |                                 |           |           |                           |
| Buildings                                    | 5,372,126                       | 259,336   | 0         | 5,631,462                 |
| Land improvements                            | 489,825                         | 25,235    | 0         | 515,060                   |
| Machinery and equipment                      | 2,871,283                       | 89,542    | 31,738    | 2,929,087                 |
| Total accumulated depreciation               | 8,733,234                       | 374,113   | 31,738    | 9,075,609                 |
| Total capital assets being depreciated, net  | 3,740,991                       | (303,073) | 0         | 3,437,918                 |
| Governmental activities capital assets, net  | \$ 3,778,665                    | (303,073) | 0         | 3,475,592                 |
| Business-type activities:                    |                                 |           |           |                           |
| Machinery and equipment                      | \$ 107,335                      | 4,894     | 0         | 112,229                   |
| Less accumulated depreciation                | 89,371                          | 3,430     | 0         | 92,801                    |
| Business-type activities capital assets, net | \$ 17,964                       | 1,464     | 0         | 19,428                    |

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

|         |    |       |
|---------|----|-------|
| Regular | \$ | 6,880 |
| Other   |    | 9,585 |

Support services:

|   |               |
|---|---------------|
| Administration services                     | 4,720         |
| Operation and maintenance of plant services | 22,462        |
| Transportation                              | 45,895        |
|   | <u>89,542</u> |

|                          |                |
|--------------------------|----------------|
| Unallocated depreciation | <u>284,571</u> |
|--------------------------|----------------|

|  |                   |
|--|-------------------|
| Total governmental activities depreciation expense | <u>\$ 374,113</u> |
|--|-------------------|

Business-type activities:

|               |                 |
|---------------|-----------------|
| Food services | <u>\$ 3,430</u> |
|---------------|-----------------|

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

|                  | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Early retirement | \$ 0                            | 403,688   | 0         | 403,688                   | 71,318                    |

Early Retirement

During the year ended June 30, 2008, the District offered a voluntary early retirement plan to its employees. Eligible employees must be a full-time teacher or administrator that will reach age 55 before June 30, 2008. Eligible employees must have completed fourteen years of full-time service to the District and must be currently under contract with the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to \$7,500 per year for a maximum of five years. Two equal payments are made on July 30 and January 30 of each year. Eligible employees have the option to use the early retirement incentive to pay premiums to remain on the District's health insurance plan.

There were no early retirement incentive benefits paid during the year ended June 30, 2008. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$452,061, \$418,388, and \$408,208, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Algona Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$61,389.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$465,680 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance/Net Assets**

The District's General Fund had a negative unreserved fund balance of \$804,222. The District also had a negative unrestricted net assets in the Nutrition Fund of \$4,384.

REQUIRED SUPPLEMENTARY INFORMATION

ALGONA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total<br>Actual | Budgeted Amounts |             | Final to<br>Actual<br>Variance |
|---|---------------------------------|--------------------------------|-----------------|------------------|-------------|--------------------------------|
|   |                                 |                                |                 | Original         | Final       |                                |
| Revenues:   |                                 |                                |                 |                  |             |                                |
| Local sources   | \$ 7,673,318                    | 351,648                        | 8,024,966       | 6,280,040        | 6,280,040   | 1,744,926                      |
| Intermediate sources  | 1,050                           | 0                              | 1,050           | 0                | 0           | 1,050                          |
| State sources   | 5,632,742                       | 22,797                         | 5,655,539       | 5,791,021        | 5,791,021   | (135,482)                      |
| Federal sources   | 314,753                         | 212,432                        | 527,185         | 695,000          | 695,000     | (167,815)                      |
| Total revenues  | 13,621,863                      | 586,877                        | 14,208,740      | 12,766,061       | 12,766,061  | 1,442,679                      |
| Expenditures:   |                                 |                                |                 |                  |             |                                |
| Instruction   | 9,797,723                       | 73,675                         | 9,871,398       | 10,294,700       | 10,450,000  | 578,602                        |
| Support services  | 3,604,269                       | 2,255                          | 3,606,524       | 2,816,147        | 3,850,000   | 243,476                        |
| Non-instructional programs  | 0                               | 510,870                        | 510,870         | 500,000          | 650,000     | 139,130                        |
| Other expenditures  | 559,264                         | 0                              | 559,264         | 982,471          | 1,250,000   | 690,736                        |
| Total expenditures  | 13,961,256                      | 586,800                        | 14,548,056      | 14,593,318       | 16,200,000  | 1,651,944                      |
| Excess(deficiency) of revenues<br>over(under) expenditures                                | (339,393)                       | 77                             | (339,316)       | (1,827,257)      | (3,433,939) | 3,094,623                      |
| Other financing sources, net  | 1,295                           | 3,554                          | 4,849           | 45,000           | 45,000      | (40,151)                       |
| Excess(deficiency) of revenues and<br>other financing sources over(under)<br>expenditures | (338,098)                       | 3,631                          | (334,467)       | (1,782,257)      | (3,388,939) | 3,054,472                      |
| Balance beginning of year   | 1,036,415                       | 15,817                         | 1,052,232       | 1,784,117        | 1,784,117   | (731,885)                      |
| Balance end of year   | \$ 698,317                      | 19,448                         | 717,765         | 1,860            | (1,604,822) | 2,322,587                      |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, the District adopted one budget amendment increasing budgeted expenditures by \$1,606,682. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$61,389.

OTHER SUPPLEMENTARY INFORMATION



ALGONA COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

|                                      | Special Revenue Funds   |                     |  |                             |                     | Total                                      |
|--------------------------------------|-------------------------|---------------------|--|-----------------------------|---------------------|--|
|                                      | Manage-<br>ment<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total<br>Special<br>Revenue | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds |
| <b>Assets</b>                        |                         |                     |  |                             |                     |  |
| Cash and pooled investments          | \$ 290,065              | 177,004             | 79,878                                     | 546,947                     | 824,596             | 1,371,543                                  |
| Receivables:                         |                         |                     |  |                             |                     |  |
| Property tax:                        |                         |                     |  |                             |                     |  |
| Current year delinquent              | 3,295                   | 0                   | 0  | 3,295                       | 0                   | 3,295                                      |
| Succeeding year                      | 350,000                 | 0                   | 137,543                                    | 487,543                     | 0                   | 487,543                                    |
| Interfund                            | 0                       | 24,000              | 0  | 24,000                      | 0                   | 24,000                                     |
| Accounts                             | 230                     | 3,226               | 124  | 3,580                       | 5,678               | 9,258                                      |
| Due from other governments           | 7                       | 0                   | 0  | 7                           | 105,871             | 105,878                                    |
| <b>Total Assets</b>                  | <b>\$ 643,597</b>       | <b>204,230</b>      | <b>217,545</b>                             | <b>1,065,372</b>            | <b>936,145</b>      | <b>2,001,517</b>                           |
| <b>Liabilities and Fund Balances</b> |                         |                     |  |                             |                     |  |
| Liabilities:                         |                         |                     |  |                             |                     |  |
| Accounts payable                     | \$ 62                   | 4,878               | 0  | 4,940                       | 50,362              | 55,302                                     |
| Deferred revenue:                    |                         |                     |  |                             |                     |  |
| Succeeding year property tax         | 350,000                 | 0                   | 137,543                                    | 487,543                     | 0                   | 487,543                                    |
| Total Liabilities                    | 350,062                 | 4,878               | 137,543                                    | 492,483                     | 50,362              | 542,845                                    |
| Unreserved fund balances             | 293,535                 | 199,352             | 80,002                                     | 572,889                     | 885,783             | 1,458,672                                  |
| <b>Liabilities and Fund Balances</b> | <b>\$ 643,597</b>       | <b>204,230</b>      | <b>217,545</b>                             | <b>1,065,372</b>            | <b>936,145</b>      | <b>2,001,517</b>                           |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

|  | Special Revenue Funds   |                     |  |                             |                     | Total<br>Other<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|---------------------|--|-----------------------------|---------------------|---|
|  | Manage-<br>ment<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total<br>Special<br>Revenue | Capital<br>Projects |   |
| REVENUES:                                      |                         |                     |  |                             |                     |   |
| Local sources:                                 |                         |                     |  |                             |                     |   |
| Local tax                                      | \$ 194,192              | 0                   | 0  | 194,192                     | 647,668             | 841,860   |
| Other  | 22,310                  | 540,628             | 1,566                                      | 564,504                     | 34,963              | 599,467   |
| State sources                                  | 173                     | 0                   | 0  | 173                         | 0                   | 173   |
| TOTAL REVENUES                                 | 216,675                 | 540,628             | 1,566                                      | 758,869                     | 682,631             | 1,441,500   |
| EXPENDITURES:                                  |                         |                     |  |                             |                     |   |
| Current:                                       |                         |                     |  |                             |                     |   |
| Instruction:                                   |                         |                     |  |                             |                     |   |
| Regular instruction                            | 102,017                 | 0                   | 0  | 102,017                     | 0                   | 102,017   |
| Other instruction                              | 0                       | 538,841             | 0  | 538,841                     | 0                   | 538,841   |
|  | 102,017                 | 538,841             | 0  | 640,858                     | 0                   | 640,858   |
| Support services:                              |                         |                     |  |                             |                     |   |
| Instructional staff services                   | 0                       | 0                   | 0  | 0                           | 28,470              | 28,470  |
| Administration services                        | 3,856                   | 0                   | 0  | 3,856                       | 501                 | 4,357   |
| Operation and maintenance<br>of plant services | 96,595                  | 0                   | 0  | 96,595                      | 75,707              | 172,302   |
| Transportation services                        | 19,750                  | 0                   | 0  | 19,750                      | 141,402             | 161,152   |
|  | 120,201                 | 0                   | 0  | 120,201                     | 246,080             | 366,281   |
| Other expenditures:                            |                         |                     |  |                             |                     |   |
| Facilities acquisition                         | 0                       | 0                   | 0  | 0                           | 93,584              | 93,584  |
| TOTAL EXPENDITURES                             | 222,218                 | 538,841             | 0  | 761,059                     | 339,664             | 1,100,723   |
| Net change in fund balances                    | (5,543)                 | 1,787               | 1,566                                      | (2,190)                     | 342,967             | 340,777   |
| Fund balance beginning of year                 | 299,078                 | 197,565             | 78,436                                     | 575,079                     | 542,816             | 1,117,895   |
| Fund balance end of year                       | \$ 293,535              | 199,352             | 80,002                                     | 572,889                     | 885,783             | 1,458,672   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

| Account                   | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Balance<br>End<br>of Year |
|---------------------------|---------------------------------|----------|-------------------|---------------------------|
| Concession                | \$ (15,523)                     | 44,894   | 40,766            | (11,395)                  |
| Concession equipment      | 2,607                           | 785      | 1,834             | 1,558                     |
| Interest                  | 0                               | 1,454    | 1,454             | 0                         |
| Public broadcasting       | 916                             | 318      | 133               | 1,101                     |
| Special advertising       | 21,845                          | 18,636   | 10,423            | 30,058                    |
| Book fair-Bertha Godfrey  | 580                             | 4,608    | 4,380             | 808                       |
| Leadership-Bertha Godfrey | 4,073                           | 18,859   | 16,371            | 6,561                     |
| Book fair-Bryant          | 376                             | 3,508    | 3,608             | 276                       |
| Leadership-Bryant         | 2,004                           | 73       | 658               | 1,419                     |
| Book fair-Lucia Wallace   | 280                             | 2,967    | 2,955             | 292                       |
| Leadership-Lucia Wallace  | 21,220                          | 24,500   | 21,905            | 23,815                    |
| MS boys basketball        | 1,238                           | 2,293    | 3,531             | 0                         |
| MS softball               | 1,873                           | 0        | 1,873             | 0                         |
| MS-vocal music            | 196                             | 126      | 188               | 134                       |
| MS-instrumental music     | 0                               | 1,561    | 1,561             | 0                         |
| MS-vocal/band uniforms    | 1,571                           | 360      | 0                 | 1,931                     |
| MS-book fair              | (70)                            | 2,219    | 2,017             | 132                       |
| MS-cheerleaders           | 867                             | 0        | 92                | 775                       |
| MS-leadership             | 4,263                           | 500      | 431               | 4,332                     |
| MS-quiz bowl              | 608                             | 340      | 324               | 624                       |
| MS-science fair           | 714                             | 1,258    | 1,972             | 0                         |
| MS-student senate         | 2,756                           | 2,549    | 746               | 4,559                     |
| MS-student travel         | 498                             | 32,687   | 32,468            | 717                       |
| MS-teams                  | 14,795                          | 34,115   | 40,389            | 8,521                     |
| MS-teams 6th grade        | 2,707                           | 2,100    | 3,485             | 1,322                     |
| MS-teams 7th grade        | 1,508                           | 2,100    | 1,797             | 1,811                     |
| MS-teams 8th grade        | 82                              | 4,106    | 4,188             | 0                         |
| MS-yearbook               | 0                               | 2,262    | 2,215             | 47                        |
| HS drama/speech           | 400                             | 12,595   | 12,595            | 400                       |
| HS-vocal music            | 2,304                           | 1,670    | 2,949             | 1,025                     |
| HS-instrumental music     | 250                             | 1,852    | 1,986             | 116                       |
| HS-vocal/band uniforms    | 840                             | 1,346    | 1,915             | 271                       |
| HS swing choir & band     | 2,885                           | 1,304    | 2,444             | 1,745                     |
| HS band tour              | 14,749                          | 28,058   | 27,777            | 15,030                    |
| HS vocal tour             | 7,070                           | 55,423   | 56,876            | 5,617                     |
| HS athletics general      | 18,787                          | 22,871   | 15,821            | 25,837                    |
| HS cross country          | 0                               | 1,629    | 1,629             | 0                         |
| HS boys basketball        | 0                               | 5,910    | 5,910             | 0                         |
| HS boys football          | 0                               | 11,499   | 11,499            | 0                         |
| HS baseball               | 0                               | 7,253    | 7,253             | 0                         |
| HS boys track             | 0                               | 3,375    | 3,375             | 0                         |
| HS boys golf              | 0                               | 526      | 526               | 0                         |
| HS wrestling              | 0                               | 3,497    | 3,497             | 0                         |
| HS girls basketball       | 0                               | 5,674    | 5,674             | 0                         |
| HS volleyball             | 0                               | 4,398    | 4,398             | 0                         |
| HS softball               | 0                               | 4,912    | 4,912             | 0                         |
| HS girls track            | 0                               | 1,486    | 1,486             | 0                         |
| HS girls golf             | 0                               | 418      | 418               | 0                         |
| HS academics              | 12,740                          | 1,011    | 7,368             | 6,383                     |
| HS-ACT-ELC                | 1,567                           | 2,443    | 3,194             | 816                       |
| HS AFS                    | 6,651                           | 99       | 0                 | 6,750                     |

ALGONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2008

| Account                     | Balance<br>End<br>of Year | Revenues | Expendi-<br>tures | Balance<br>End<br>of Year |
|-----------------------------|---------------------------|----------|-------------------|---------------------------|
| HS book fair                | 167                       | 2,621    | 2,590             | 198                       |
| HS cheerleaders             | 3,090                     | 7,501    | 9,661             | 930                       |
| Class of 2008               | 1,470                     | 305      | 0                 | 1,775                     |
| Class of 2009               | 868                       | 1,992    | 2,318             | 542                       |
| Class of 2010               | 928                       | 9        | 0                 | 937                       |
| Class of 2011               | 0                         | 330      | 51                | 279                       |
| HS drill team               | 6,373                     | 11,886   | 15,314            | 2,945                     |
| FFA                         | 5,766                     | 42,145   | 40,408            | 7,503                     |
| Construction club           | 94                        | 150      | 0                 | 244                       |
| Hosa                        | 10                        | 0        | 0                 | 10                        |
| HS leadership               | 458                       | 0        | 40                | 418                       |
| MMH                         | 1,849                     | 400      | 129               | 2,120                     |
| HS mock trial/ACAD          | 67                        | 950      | 550               | 467                       |
| Model UN                    | 903                       | 1,489    | 1,540             | 852                       |
| National honor society      | 150                       | 703      | 76                | 777                       |
| Outdoor club                | 1,120                     | 370      | 99                | 1,391                     |
| P.E. club                   | 7,866                     | 9,067    | 12,169            | 4,764                     |
| Peer helpers                | 829                       | 461      | 213               | 1,077                     |
| Pep council                 | 1                         | 0        | 0                 | 1                         |
| Prom improvement            | 638                       | 337      | 461               | 514                       |
| HS quiz bowl                | 637                       | 1,058    | 485               | 1,210                     |
| HS spanish club             | 2,728                     | 0        | 38                | 2,690                     |
| HS student senate           | 465                       | 740      | 584               | 621                       |
| TV. productions             | 1,564                     | 2,656    | 1,706             | 2,514                     |
| Weight lifting club         | 7                         | 625      | 540               | 92                        |
| HS yearbook                 | 3,752                     | 20,349   | 18,985            | 5,116                     |
| HS special math             | 64                        | 0        | 0                 | 64                        |
| HS special bowling          | 377                       | 0        | 0                 | 377                       |
| HS special cross country    | (357)                     | 1,682    | 1,230             | 95                        |
| HS special swim team        | 4,842                     | 4,467    | 6,033             | 3,276                     |
| HS special boys basketball  | 3,219                     | 5,584    | 5,204             | 3,599                     |
| HS special football         | 1,301                     | 12,695   | 10,769            | 3,227                     |
| HS special baseball         | 1,237                     | 798      | 2,524             | (489)                     |
| HS special boys track       | 1,034                     | 2,354    | 1,434             | 1,954                     |
| HS special boys golf        | 559                       | 1,580    | 1,537             | 602                       |
| HS special wrestling        | 13                        | 538      | 73                | 478                       |
| HS special girls basketball | 788                       | 6,414    | 5,511             | 1,691                     |
| HS special volleyball       | 928                       | 1,715    | 2,113             | 530                       |
| HS special softball         | 1,289                     | 5,850    | 6,670             | 469                       |
| HS special girls track      | 177                       | 993      | 1,336             | (166)                     |
| HS special girls golf       | 67                        | 1,387    | 1,184             | 270                       |
| Total                       | \$ 197,565                | 540,628  | 538,841           | 199,352                   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

|                             | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End<br>of Year |
|-----------------------------|---------------------------------|-----------|-----------|---------------------------|
| ASSETS                      |                                 |           |           |                           |
| Cash and pooled investments | \$ 0                            | 7,963     | 0         | 7,963                     |
| LIABILITIES                 |                                 |           |           |                           |
| Due to other groups         | \$ 0                            | 7,963     | 0         | 7,963                     |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

|   |    | Modified Accrual Basis |            |            |            |            |
|---|----|------------------------|------------|------------|------------|------------|
|   |    | Years Ended June 30,   |            |            |            |            |
|   |    | 2008                   | 2007       | 2006       | 2005       | 2004       |
| Revenues:                                   |    |                        |            |            |            |            |
| Local sources:                              |    |                        |            |            |            |            |
| Local tax                                   | \$ | 5,497,239              | 5,469,034  | 5,614,630  | 5,742,171  | 5,725,990  |
| Tuition                                     |    | 1,404,416              | 1,262,663  | 1,247,756  | 1,112,659  | 886,818    |
| Other                                       |    | 771,663                | 734,547    | 720,612    | 649,007    | 689,877    |
| Intermediate sources                        |    | 1,050                  | 1,050      | 1,050      | 0          | 0          |
| State sources                               |    | 5,632,742              | 5,375,888  | 5,447,395  | 5,285,230  | 5,335,106  |
| Federal sources                             |    | 314,753                | 370,835    | 487,067    | 676,384    | 427,455    |
| Total                                       | \$ | 13,621,863             | 13,214,017 | 13,518,510 | 13,465,451 | 13,065,246 |
| Expenditures:                               |    |                        |            |            |            |            |
| Instruction:                                |    |                        |            |            |            |            |
| Regular instruction                         | \$ | 5,263,175              | 5,608,779  | 4,965,295  | 4,920,243  | 5,123,535  |
| Special instruction                         |    | 2,758,170              | 2,519,046  | 2,531,517  | 2,610,995  | 2,538,533  |
| Other instruction                           |    | 1,776,378              | 1,376,050  | 1,591,941  | 1,526,829  | 1,344,987  |
| Support services:                           |    |                        |            |            |            |            |
| Student services                            |    | 335,840                | 318,336    | 298,708    | 294,861    | 302,558    |
| Instructional staff services                |    | 209,754                | 221,585    | 317,399    | 207,896    | 283,626    |
| Administration services                     |    | 1,214,120              | 1,106,860  | 1,167,238  | 1,092,163  | 935,202    |
| Operation and maintenance of plant services |    | 1,186,106              | 1,220,355  | 1,282,805  | 1,043,524  | 941,734    |
| Transportation services                     |    | 658,449                | 484,594    | 605,476    | 482,887    | 318,694    |
| Non-instructional                           |    | 0                      | 0          | 0          | 0          | 17,800     |
| Other expenditures:                         |    |                        |            |            |            |            |
| Facilities acquisitions                     |    | 93,584                 | 459,868    | 737,059    | 416,316    | 576,657    |
| Long Term Debt:                             |    |                        |            |            |            |            |
| Principal                                   |    | 0                      | 0          | 0          | 0          | 600,000    |
| Interest                                    |    | 0                      | 0          | 0          | 0          | 34,740     |
| AEA flow-through                            |    | 465,680                | 450,954    | 434,384    | 430,727    | 440,718    |
| Total                                       | \$ | 13,961,256             | 13,766,427 | 13,931,822 | 13,026,441 | 13,458,784 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALGONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

| GRANTOR/PROGRAM  | CFDA<br>NUMBER | GRANT<br>NUMBER | PROGRAM<br>EXPENDITURES |
|--|----------------|-----------------|-------------------------|
| INDIRECT:  |                |                 |                         |
| DEPARTMENT OF AGRICULTURE:                                   |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:                                |                |                 |                         |
| SCHOOL NUTRITION CLUSTER PROGRAMS:                           |                |                 |                         |
| SCHOOL BREAKFAST PROGRAM                                     | 10.553         | FY 08           | \$ 36,743               |
| NATIONAL SCHOOL LUNCH PROGRAM                                | 10.555         | FY 08           | 175,689 *               |
|  |                |                 | <u>212,432</u>          |
| NATIONAL ENDOWMENT FOR THE ARTS:                             |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:                                |                |                 |                         |
| PROMOTION OF THE ARTS - PARTNERSHIP<br>AGREEMENTS            | 45.025         | FY 08           | <u>500</u>              |
| DEPARTMENT OF EDUCATION:                                     |                |                 |                         |
| IOWA DEPARTMENT OF EDUCATION:                                |                |                 |                         |
| TITLE I GRANTS TO LOCAL EDUCA-<br>TIONAL AGENCIES            | 84.010         | 0126-G          | <u>133,279</u>          |
| INNOVATIVE EDUCATION PROGRAM                                 |                |                 |                         |
| STRATEGIES (TITLE V PROGRAM)                                 | 84.298         | FY 07           | 90                      |
| INNOVATIVE EDUCATION PROGRAM                                 |                |                 |                         |
| STRATEGIES (TITLE V PROGRAM)                                 | 84.298         | FY 08           | <u>1,857</u>            |
|  |                |                 | <u>1,947</u>            |
| SAFE AND DRUG-FREE SCHOOLS AND<br>COMMUNITIES - STATE GRANTS | 84.186         | FY 08           | <u>4,936</u>            |
| TITLE IIA - FEDERAL TEACHER QUALITY<br>PROGRAM               | 84.367         | FY 07           | 1,169                   |
| TITLE IIA - FEDERAL TEACHER QUALITY<br>PROGRAM               | 84.367         | FY 08           | <u>69,241</u>           |
|  |                |                 | <u>70,410</u>           |
| GRANTS FOR STATE ASSESSMENTS AND<br>RELATED ACTIVITIES       | 84.369         | FY 08           | <u>8,666</u>            |
| AREA EDUCATION AGENCY:                                       |                |                 |                         |
| SPECIAL EDUCATION - GRANTS TO<br>STATES (PART B)             | 84.027         | FY 08           | <u>79,634</u>           |
| TECH-PREP EDUCATION  | 84.243         | FY 08           | <u>2,300</u>            |
| TOTAL  |                |                 | <u>\$ 514,104</u>       |

\* includes \$29,355 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Algona Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Algona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Algona Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Algona Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Algona Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Algona Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Algona Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Algona Community School District's financial statements that is more than inconsequential will not be prevented or detected by Algona Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Algona Community School District's internal control.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Algona Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Algona Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Algona Community School District and other parties to whom Algona Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2009

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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117 West 3rd Street North, Newton, Iowa 50208-3040  
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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Algona Community School District

Compliance

We have audited the compliance of Algona Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Algona Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Algona Community School District's management. Our responsibility is to express an opinion on Algona Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Algona Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Algona Community School District's compliance with those requirements.

In our opinion, Algona Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Algona Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Algona Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Algona Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Algona Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Algona Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Algona Community School District and other parties to whom Algona Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2009

ALGONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Individual Program:
    - CFDA Number 84.010 - Title I grants to Local Educational agencies
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Algona Community School District did not qualify as a low-risk auditee.

ALGONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-08 Petty Cash Checks - The District writes various checks throughout the year for postage. It was noted that checks were being written to "Petty Cash" instead of the custodian of petty cash.

Recommendation - Checks made out to "Petty Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian of petty cash or directly to the post office.

Response - The District will write checks to the custodian of petty cash. Plans for the future are to eliminate petty cash.

Conclusion - Response accepted.

ALGONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2008  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Numbers: 0126-G  
Federal Award Year: 2008  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

ALGONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts; however the District exceeded its General Fund unspent authorized budget by \$61,389.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - We have contacted the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and<br>Business Connection                          | Transaction<br>Description | Amount  |
|---|----------------------------|---------|
| Heather Young, Teaching Assistant<br>Spouse owns Dazzlin Design | Printing Services          | \$2,996 |
| Dawn Bjustrom, Teacher<br>Son performed DJ services             | Services                   | \$300   |
| Angie Eischeid, Media Associate<br>Son                          | Game filming               | \$50    |
| Karilyn Claude, Teacher<br>Spouse                               | Official                   | \$985   |
| John and Dianne Aboud, Teachers<br>Daughter                     | Services                   | \$40    |
| Rich Collison, Teacher<br>Son                                   | Official                   | \$330   |
| Sande Rodemeyer, Teacher<br>Spouse                              | Official                   | \$850   |

| Name, Title and<br>Business Connection                       | Transaction<br>Description | Amount   |
|--|----------------------------|----------|
| Julie Gunderson, Teacher<br>Son                              | Official                   | \$630    |
| Jan Struck, Building Secretary<br>Spouse                     | Official                   | \$560    |
| Karen Sankey, Building Secretary<br>Spouse                   | Official                   | \$145    |
| Dale Person, Board Member<br>Son                             | Official                   | \$85     |
| Theresa Kuecker, Secretary<br>Son                            | Official                   | \$165    |
| Paul and Theresa DeLange, Bus Drivers<br>Owns Premier Choice | Fundraising items          | \$27,602 |
| Paul and Theresa DeLange, Bus Drivers<br>Owns Premier Pizza  | Pizza/Concession           | \$16,002 |
| Rodney Davis, Board Member<br>Winter sports duty             | Service                    | \$880    |
| Bill Fjetland, High School Principal<br>Daughter             | Chaperone                  | \$700    |
| Tracy Harmon, Kitchen Manager<br>Owns Honor Banquet Catering | Catering                   | \$1,260  |

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member Rodney Davis does not appear to be a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the Kitchen Manager and bus drivers do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's employees and board members do not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.



IV-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students that were reported on Line 2 as open enrolled out was understated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-08 Local Option Sales and Services Tax Expenditures - We noted during our audit that the District paid a bill for treadmill repair from the Local Option Sales and Services Tax (LOSST) Fund. According to the District's revenue purpose statement for LOSST expenditures, the District can make Physical Plant and Equipment (PPEL) Fund expenditures. Expenditures for preventative and routine maintenance of equipment do not appear to be in compliance with the District's revenue purpose statement for LOSST funds or Chapter 423 and Chapter 298 of the Code of Iowa which define PPEL type expenditures. Expenditures for these purposes would be more appropriate from the General Fund.

Recommendation - Since the District had allowable LOSST Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements. The District should review LOSST revenue purpose statements and Chapters 423 and 298 of the Code of Iowa for allowability of expenditures from the LOSST Fund.

Response - We will review Chapter 423 and Chapter 298 of the Code of Iowa for allowable expenditures from the PPEL Fund and adjust our practices accordingly.

Conclusion - Response accepted.

IV-K-08 Financial Condition - We noted during our audit that there were three negative individual account balances totaling \$12,050 in the Student Activity Fund. The District also had a deficit unrestricted fund balances in the General Fund of \$804,222 and unrestricted net assets in the Nutrition Fund of \$4,384.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit fund balances. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will continue to monitor and investigate alternative to make the necessary corrections needed.

Conclusion - Response accepted.

IV-L-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

We also noted during our audit that an officiating contract was paid out even though the contract was not fully completed. The event, date of the event and amount to be paid was not completed.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

The District should review procedures in place to ensure that all officiating contracts are completed before the contract is paid.

Response - The District will have the Board President sign all contracts. The District will review procedures in place and stress the importance of having officiating contracts completed before it is paid.

Conclusion - Response accepted.